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LUMBER FAIR TRADE GROUP



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November 14, 2000

The Honorable Vernon A. Williams
Office of the Secretary
Surface Transportation Board
Case Control Unit
ATTN: STB Ex Parte No. 582 (Sub-No. 1)
1925 K Street, N.W.
Washington, D.C. 20423-0001



Dear Mr. Williams:

The Lumber Fair Trade Group (LFTG) represents numerous independent wholesale distributors of forest products. LFTG members deal heavily in lumber produced in Canada with over 50% of that lumber originating in the western province of British Columbia (BC). LFTG offers the following comments for the Board's consideration in this proceeding.

LFTG members are forced to accept terms of sale dictated by the BC lumber mills, which includes pricing on an FOB origin basis plus a mill determined amount which is alleged to represent the mill's delivered freight cost to destination. The mills steadfastly refuse to sell FOB origin with freight for the buyer's account unless the buyer first obtains written agreement of the Canadian National Railroad (CN) to publish contract rates for the buyer's account. The CN refuses to publish contract rates for the buyer's account unless the buyer first obtains written agreement from the mills that they will sell to the buyer FOB origin. This combination of policies frustrates all attempts to break the gridlock. LFTG members refer to the addition of unsubstantiated and overstated freight costs as "Phantom Freight", a term given to a similar practice in a successful prosecuted antitrust case against Georgia Pacific.

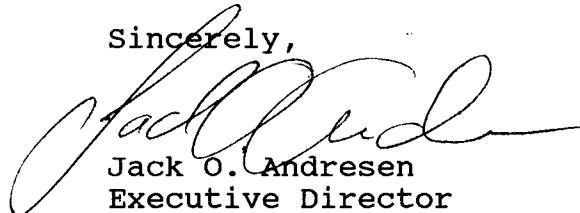
LFTG members were particularly concerned when the specter was raised of foreign control of a substantial amount of U.S. rail capacity. Our concern is predicated on the fact that the current phantom freight practice is shielded from application of U.S. antitrust law by retention of all freight bills and accounting records (which would document rebates, allowances, foreign currency exchange or other reductions in net freight cost) outside the

United States. The existence of this shielding effect is not LFTG's opinion. Rather it is the position stated verbally to LFTG by the Departments of Commerce and Justice, the Federal Trade Commission and the office of the U.S. Trade Representative after they conducted a preliminary investigation into LFTG request for their intervention to prosecute those Canadian corporations practicing phantom freight. The Negotiated Rates Act of 1993, includes provisions that prohibits similar phantom freight practices in the U.S. Trucking industry.

LFTG believes that any merger, marketing alliance or other combination or quasi-combination of railroads that involve foreign control of U.S. railroad property and/or routes must require retention of full and complete records within the jurisdiction of the STB and the U.S. courts. If copies of the records are not retained and accessible in the U.S., no U.S. law, regulation or order can be enforced.

In closing, LFTG strongly believes that the new rules proposed by the STB must insure adequate and direct records retention and accessibility within the jurisdiction of the United States.

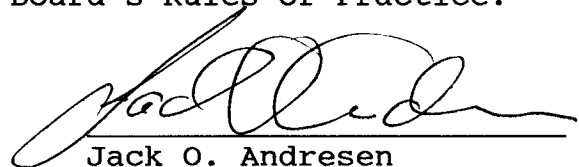
Sincerely,



Jack O. Andresen
Executive Director

CERTIFICATE OF SERVICE

I hereby certify that this ^{17th} ~~14th~~ day of November 2000, I have served a copy of the forgoing on all known parties of record on the Service List in accordance with the Board's Rules of Practice.



Jack O. Andresen